

Message Text

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PAGE 01 KATHMA 03872 280152Z
ACTION NEA-10

INFO OCT-01 ISO-00 AID-05 L-03 SS-15 SP-02 NSC-05
CIAE-00 INR-10 NSAE-00 DODE-00 OMB-01 EB-08
TRSE-00 IO-13 /073 W
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FM AMEMBASSY KATHMANDU
TO SECSTATE WASHDC 2769
INFO AMEMBASSY NEW DELHI

C O N F I D E N T I A L KATHMANDU 3872

E.O. 11652: GDS
TAGS: EAID
SUBJECT: NEXT STEPS FOR THE U.S. REGARDING THE KARNALI RIVER
BASIN PROJECT

1. AS DEPARTMENT AND AID ARE AWARE, GON HAS HIGH
HOPES OF MOBILIZING INTERNATIONAL SUPPORT FOR
KARNALI BASIN PROJECT. IT IS TRUE THAT NEPALESE
INTEREST IN THIS PROJECT WAS NOT STRONGLY ARTICU-
LATED BY NEPALESE REPRESENTATIVES AT RECENT PARIS
MEETING OF AID DONORS, BUT FAILURE TO DO SO SHOULD
NOT BE INTERPRETED AS ANY FLAGGING OF SUPPORT. RATHER,
AS NEPALESE HAVE TOLD US, HAVING REACHED AGREEMENT
WITH INDIANS ON FEASIBILITY STUDIES AFTER
PROTRACTED NEGOTIATIONS, THEY HAD NOT DONE SUFFICIENT
HOMEWORK ON NEXT STEPS AND WERE SIMPLY NOT READY
ACTIVELY TO LOBBY FOR PROJECT AT PARIS OR FOR
SERIOUS TECHNICAL DISCUSSIONS.

2. LOOKING TO AID DONOR MEETING NEXT SPRING,
NEPALESE ARE NOW PREPARING FOR DETAILED
DISCUSSIONS WITH INDIANS AND IT CAN BE ANTICIPATED
THAT AT THIS MEETING OR SEPARATELY, GON WILL BE
REQUESTING ASSISTANCE FOR ENGINEERING AND OTHER
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STUDIES AND POSSIBLY SOME INITIAL TRANSPORT
FACILITIES. THE U.S. IS LIKELY TO BE AMONG
THOSE APPROACHED REGARDING STUDIES. ENCOURAGED
BY PRESIDENT'S REMARKS ON U.S. INTEREST IN
REGIONAL WATERS AT NEW DELHI IN JANUARY, AND
MORE PRIVATELY BY PRESIDENT'S RECENT EXPRESSION
OF SUPPORT TO THE KING (STATE 176191) IN WHICH

PRESIDENT REAFFIRMS U.S. INTEREST IF REQUESTED TO JOIN WITH OTHER NATIONS TO COOPERATE WITH NEPAL AND INDIA ON STUDIES REQUIRED ON THIS PROJECT, NEPALESE LEADERS HAVE HIGH HOPES THAT THEY CAN COUNT ON U.S. TO ACT AS CATALYST IN MOVING THIS PROJECT ALONG.

3. EMBASSY AND AID THEREFORE CONSIDER IT PRUDENT AND IMPORTANT TO PREPARE OURSELVES FOR REQUEST WHICH MAY REQUIRE FY 80 FUNDING IF WE ARE TO BE RESPONSIVE TO NEPALESE AND SUPPORTIVE OF PRESIDENTIAL INTEREST IN REGIONAL WATER DEVELOPMENT SCHEME LIKE KARNALI.

4. EMBASSY/USAID RECOMMEND THAT THE FY 80 FAA ESTIMATES SENT TO OMB INCLUDE EXPLICIT PROVISION FOR FUNDS FOR KARNALI. WE RECOMMEND THAT THESE BE IDENTIFIED AS REGIONAL FUNDS AND CLEARLY SEPARATED FROM THE REGULAR DEVELOPMENT ASSISTANCE PROGRAM FOR NEPAL. POSSIBLY THE LEVEL PROPOSED FOR FY 80 COULD BE ACCOMMODATED UNDER "SELECTED DEVELOPMENT PROGRAMS" AUTHORITY. HOWEVER, FOR SUBSEQUENT YEARS SPECIAL AUTHORITY SEEMS LIKELY TO BE REQUIRED. WE WOULD RECOMMEND BEING CLEAR WITH THE CONGRESS FROM THE OUTSET ON THE POSSIBLE FINANCIAL IMPLICATIONS OF U.S. INVOLVEMENT WITH THE KARNALI PROJECT.
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5. IN CONSIDERING THE MODALITIES OF A U.S. CONTRIBUTION TO KARNALI, AND GIVEN AID'S STAFF CONSTRAINTS, WE URGE SERIOUS AND EARLY CONSIDERATION OF SOME CONSORTIUM ARRANGEMENT THAT WOULD PLACE THE DAY-TO-DAY TECHNICAL AND MANAGERIAL RESPONSIBILITIES PRIMARILY IN THE HANDS OF THE IBRD, INSOFAR AS DONORS NEED TO BE INVOLVED.

6. WE WOULD APPRECIATE KNOWING WASHINGTON'S VIEWS ON NEXT STEPS FOR THE U.S. REGARDING THE KARNALI RIVER BASIN PROJECT.
HECK

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